THE IMPACT OF TRADE TIES ON THE ECONOMIC RELATIONSHIP BETWEEN KENYA AND SOUTH SUDAN

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DECLARATION

This research project is my original work and has not been submitted for examination to any other University

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This Research project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

This proposal is dedicated to my beloved parents; my mother Rosaline Kibanga and late dad Dr Phillip Kibanga for the upbringing and discipline which they instilled in me. I am what I am today because of them. To my siblings, thank you for the support you have accorded to me. I also dedicate it to my son John Benjamin Kimani and may he continue to soar to even greater heights.

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ABBREVIATIONS AND ACRONYMS

BRITAM	British American Financial services
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EPC	Export Promotion Council
FTA	Free Trade Agreement
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
IGAD	Intergovernmental Authority on Development
KCB	Kenya Commercial Bank
LAPPSET	Lamu Port Southern Sudan-Ethiopia Transport
NAFTA	North American Free Trade Agreement
PTA	Preferential Trade Area
SME	Small and Medium Enterprises
WTO	World Trade Organization

ABSTRACT

South Sudan made an application to be a member of EAC and other strategic international and regional bodies in an effort to participate in the global economy. South Sudan recently joined in 2016. However, no known documented study has dwelt into the economic relationship that Kenya has with South Sudan as a result of their trade ties. The aim of this study was to determine the impact of trade ties on the economic relationship between Kenya and South Sudan. The theories that underpinned this study were the Davis Ricardo's Comparative Advantage Theory and the Factor Endowment Theory by Heckscher and Ohlin. The study adopted the descriptive research design. This research used case study design whose target population consisted of officers in the Ministry of Foreign Affairs and International Trade. Out of the 45 respondents sampled for this study, this study managed 36 interviews. This study used both primary and secondary data. For the primary data, this was collected the interview guide which was administered to staff serving in the Kenyan Ministry of Foreign Affairs and International Trade. Data collected was analyzed using content analysis. Findings reveal that the products majorly exported from Kenya to South Sudan are in seven sectors. These are agriculture (23 percent), real estate (19 percent), transport and storage (15 percent), construction (13 percent), financial services (11 percent), manufacturing (10 percent) and information and communication (9 percent). It is clear that bilateral relations between Kenya and South Sudan are premised on social, political and economic factors. Also, findings revealed that balance of trade between Kenya and South Sudan is in Kenya's favour Furthermore, the role played by Kenyan in seeing the Nairobi 2005 Compressive Peace Agreement a reality leading to the birth of South Sudan as an independent state as well as eventual achievement of peace in the South is a key ingredient for trade ties and sustained economic relations between these two states and that Kenya has an advantage in terms of strategic location and excess human resource endowments in Kenya's health and education sectors laying the basis for sustained trade ties and economic relation between these two countries. This study concludes that economic relations between Kenya and South Sudan cannot be sustained without trade ties as beneficial trade ties between these two nations will inform positive economic relationships. The study recommends that Kenya initiates bilateral trade agreement with South Sudan with the EPC as the Kenya's export promotion body, charged with facilitating bilateral negotiations between Kenya and South Sudan involving protection of trade and investments and businesses made by partners in both home markets. It further recommends that Kenya mediates in the Machar and Kiir conflict so as to promote her image which will in turn reduce xenophobic attacks, increase peace and security and allow Kenyan traders penetrate the market further. Given that this study only concentrated on the trade ties between Kenya and South Sudan.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Trade between countries has been there since time immemorial. This has helped nations foster trade relations with neighboring countries. Barter trade was the initial mode of trade where people exchanged goods for goods before currency was introduced. Trade between various nations more often than not strengthens the economic relationships. When a country is able to export more of what it has in surplus and import that which is in deficit in its own country, then it is able to grow economically. In having free movement of the workers across countries, ideas are shared, work skills are improved and better methods of operating are adopted hence improving the economic status of a nation as a whole. Hunt (2016) noted that freedom of movement of people in this case labor was encouraged especially after World War II. Yuriy (2014) states that International Economic Relations has its own logic and its own development subsystem. He further asserts as necessary to determine the systemic symptoms (concept), the content material (substrate) and the structure and subjects of international economic relations.

The Theory of Comparative Advantage states how countries should produce that which it can produce effectively and import that which it is not effective in producing. Ricardo (1821) stated that a country ought to produce that which it has comparative advantage to produce and import that which it has higher opportunity cost to produce. In this study in particular, South Sudan is best known for its oil products while Kenya is known for her agricultural products. Thus it would enhance the economic relationship for Sudan to export her oil to Kenya and import the agricultural produce from her.

The Factor Endowment theory also known as the Eli Heckscher and Bertil Ohlin model demonstrates that a country will produce dependent on the relative abundance of factors of production and production technology. The theory dwelt on two factors of production; labor and capital. Suranovic (2015) asserted that a nation should produce based on the availability of the various factors of production. A country that has a large supply of capital should produce capital intensive goods while the one that has a large supply of labor should produce labor intensive goods. A country like China for example is known for availability of labor while Japan is known for availability of technology. China has slowly been evolving to more complex manufactured goods as her population has continued to advance in skills and the wage levels are also rising.

Trade between Kenya and South Sudan has been in existence for a while now. Upon the split between Sudan and South Sudan in 2011, most Kenyan firms (mainly financial institutions) moved to the newly formed state and established business. The two governments were also keen on trade ties given that the Kenyan government through a loan from the World Bank is putting up a road that will link Lamu with South Sudan thus enabling faster and more convenient movement of goods. Weteire (2016) pointed out that the Kenyan Government held talks with South Sudan on lending them Ksh.6Billion as a humanitarian and economic aid. This is to further enhance the trade and economic relations between the two countries. Upon the outbreak of the civil war, Kenya was instrumental in the signing of the Machakos protocol which aided in peace restoration in South Sudan.

1.1.1 International Trade

The Business dictionary defines international trade as the exchange of goods and services across international boundaries. It began in the earlier times through barter trade where people exchanged goods and services for other goods and services as per their needs. It later evolved and now we have currencies that are universally acceptable for example the United States Dollar. Several nations have also established exchange rates among their currencies making it easier to trade. The governments of the various countries keep track of international trade performance mainly through their foreign affairs and trade ministries.

International trade is facilitated by a number of factors key among them differences in technology and resource endowments, economic reasons, economies of scale in production and the existence of various government policies. In the recent past, there has been an increase in international trade due to globalization and increase in multinational companies. Globalization is the infusion of various world economies through the removal of various restrictions to the movement of people, trade, technology and capital. Several bodies have been formed to oversee and regulate international trade key among them in Eastern Africa and the larger Africa include the Preferential Trade Area (PTA), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA) while World Trade Organization (WTO) regulates several countries across various continents. There has also been significant improvement in documentary procedure requirements as ports are now clearing goods at a faster rate than before thus facilitating international trade.

Through international trade, countries are able to acquire that which they do not have or cannot produce economically while at the same time exporting the surplus they have and the goods that they can produce economically. Availability of factors of production also influences international trade as a country will produce that which is best suited depending on the factors it has. International trade has also seen increase in free movement between various countries thus encouraging world cohesion across the globe and adoption of new and improved ways of conducting trade owing to this interaction.

There are several advantages of International trade including cultural diversity, international relations and world peace, earning of foreign exchange. The European Union further goes on to give more detailed benefits key among them poverty reduction through commercial investment opportunities, encourages innovation through exchange of ideas and knowhow, opening up of new markets for products, strengthening of trade ties among the trading partners and cutting of government spending by opening up new sources of goods and services. International trade as a whole plays a significant role in the economic growth of participating nations. There are a few disadvantages of International Trade which include unemployment and neo-colonialism that is some countries become so dependent on other countries for various goods or services though as an overall, the benefits far outweigh the costs.

1.1.2 Trade Ties

Trade ties refer to an agreement to exchange of goods and services more so in respect of trade between nations. A country can have trade ties between her and another nation referred to as bilateral trade ties or among several nations also known as multilateral trade ties. When a nation has trade ties with another, normally barriers to trade are removed thus facilitating stronger trade and commercial ties which in the long run increase economic integration among the participating countries. Amadeo (2017) stated that trade ties are important as countries give each other access to markets and thereby increasing each country's economic growth in the long run.

We have seen trade ties among several nations and in most cases these trade ties are signed agreements between the trading nations. Piana (2006) stated that neighboring countries are better placed to have trade ties in place due to proximity with each other as well as infrastructural development between them makes the trade cheaper. Further neighboring nations are able to assess more easily the other countries needs to see how they can meet them as they also see how they can make up for the shortfall they have in their own country through bilateral trade ties. In multilateral trade ties where we have more than two countries having trade ties more often than not we have trade bodies and organizations tasked with regulating this trade. Some of the organizations we have for regulating and monitoring trade include East African Community (EAC), World Trade Organization (WTO) among others. In addition to regulation, the trade bodies are also tasked with the responsibility of holding annual summits in a bid to ensure the trade ties remain vibrant and any concerns raised by the trading nations are adequately addressed. The trade bodies are also mandated to welcome new member states and at the same time remove any member country found to have flouted the trade agreement rules and regulations.

Kenya in particular has been noted as having been a key exporter to countries within Africa hence the greater need to create more trade ties with other nations. (Phyllis, 2017). When countries have trade ties among them; they agree on the particular goods and services to be trading in among themselves thus making the specific economies grow as they are assured of a market of their surplus products as well as a supply of the items that they have a deficit in. Countries that have trade agreements with their counterparts are at an advantage as they are able to enjoy trade and other discounts unlike those without trade ties. Trade fairs and expos are also held in participating countries to further market any new goods that they may have and enhance trade.

In nations where there are trade agreements, we find that people movement is not restricted thus making movement of labor easier. A good example is the EAC (East African Community) member states where all that is required is a passport to move from one country to another but the need for Visas has been scrapped. It is therefore common to get Kenyan traders moving to neighboring Uganda or Tanzania for trade purposes. The transport sectors also greatly benefit from the trade ties since there is increased traffic among the countries be it in form of buses ferrying passengers or the long distance trucks moving goods from one nation to another. It is important to note that trade ties keep being reviewed by the various governments concerned so as to encompass any new environmental or other changes that may have occurred since the agreements was signed. This ensures that the interests of all parties are always upheld in any trade ties or agreements with other trading nations. The presence of the regulatory bodies also ensures that the participating countries are adhering to the rules and terms of engagement that were set out in the trade agreement.

1.1.3 Economic Relationships

Merja *et al.,* (2009) defined economic relationships as repeated market transactions and financial participation arrangements. They further affirm that these are more sustainable than the spot market relationships or relationships built on contractual basis. Brown *et al.,* (2010) noted that international economic relations play a key role in economic growth across the whole world. In order for the various economic relationships to be successful, there must be in place capital flow, free movement of goods and services, workforce mobility as well as reduction or complete elimination of regulatory obstacles. Caroll (2014) in assessing the benefits of economic relations between Ethiopia and Eritrea noted that some key benefits include improved infrastructural development between the countries, fostering of regional integration among others. He went on to note that the countries mutually benefit from each other where there are enhanced economic relationships.

Several nations have benefited from economic relationships with other countries dealing in international trade. This is more so as no single country can be self reliant in all its needs and wants. More often than not, when a country has an excess supply of a good or service, it shall seek an international market for the same. And the same is true when a country faces a shortage of a good or service, it shall go ahead and try and source from neighbouring nations whom they trade with. Economic relations make this process easier since the countries have trade agreements signed among themselves and there are fewer trade restrictions among them to facilitate ease of movement of the goods or services. In line with this, Kenya has joined a number of associations key among them being Common Market for Eastern and Southern Africa (COMESA) where member states have an agreement to work together in order to uphold regional integration and growth through trade development. Furthermore, member states shall also develop their natural and human resources to the benefit of their citizens (Mugendi, 2011).

1.1.4 Trade between Kenya and South Sudan

Kenya in general played a key role in South Sudan’s independence by having the Machakos protocol being signed in Kenya in 2002 which ideally saw a ceasefire between Sudan and South Sudan. This was one of the many other agreements that eventually led to the independence of South Sudan in 2011. Ngigi (2013) noted that Kenya exported goods valued at Kshs.25B in 2013 to South Sudan and in 2015; the exports were valued at Kshs.17B.

Kenya and South Sudan have teamed up and agreed on areas of cooperation which aimed to improve the ability of the South Sudanese to run a government. Obala (2012) noted that the Kenyan Foreign service has been in the forefront in training their South Sudan counter parts on diplomatic and other affairs including peace, insecurity and post conflict restitution among others. The support Kenya has given South Sudan is also reflected on the two flags similarity. Achuka (2015) wrote that the two governments have spent a lot of money in building infrastructural links between the countries e.g. the road between Kitale and Juba that is slated for rehabilitation which will in the long run promote trade between the two nations. The World Bank has given USD500 million to oversee the rehabilitation. Obala (2012) noted that the rail project that is being overseen by the LAPSSET program and in addition; construction of an oil pipeline from Lamu in Kenya to the oil fields in South Sudan also being organized by the same team is to enable stronger trade links between the two nations. South Sudan signed on this deal in a bid to stop over reliance from her northern neighbor Sudan with whom they have had conflict regarding transit fees (Copnall 2012).

Since South Sudan's independence, several Kenyan companies have established branches in South Sudan. Key among those in the financial services and Insurance sectors include Kenya Commercial Bank, UAP-Old Mutual, Britam, Equity Bank and Co-operative Bank. This has led to creation of employment in the country with many smaller investors in Kenya opting to cross the border in search of better business opportunities. Kenya has been a key importer of wood from South Sudan due to her diverse forest cover. In recent times, there has been an increase in oil and petroleum products. Even though South Sudan has been engaging in agricultural activities, she still relies on Kenya and other neighboring countries for supply of agricultural produce. She recently joined in the EAC to further explore trade relations with the neighboring nations. Gichana (2016) commended this move as the EAC has been considered as the most advanced regional block within the African continent.

1.2 Research Problem

In the earlier times, international trade was not regulated and mainly dwelt on exchange of goods due to the variations in resource availability and comparative advantage. Establishing business anywhere was easy and trade was really free between countries during this period. This changed after the onset of World War I where countries built walls around them thus restricting the free trade previously enjoyed. During the depression in 1930s, countries imposed import duties, quotas and quantity restrictions so as to maintain favorable balance of payment. In more recent times, World Trade Organisation (WTO) has been mandated with these regulations. Other agreements that have been developed over time include GATT, EAC etc.

Countries have over time seen the benefit of having specific economic relations with their fellow countries in a bid to maximise the returns gained from international trade. We have the Kenya and China economic relationship where Kenya has engaged the Chinese for infrastructural development at lower costs making Kenya more competitive economically as well creation of employment opportunities. In terms of exports, Kenya is still trying to match the levels but the levels are growing steadily (Chege, 2008) Other nations that enjoy enhanced economic relationship as a result of trading ties include America and Mexico where Wilson (2016) noted that the two nations not only build things together but they have managed to effectively combine their individual comparative advantages to form a competitive regional system.

Previous studies in the area of trade ties between Kenya and South Sudan include Murithi (2014) who noted that Kenya's economic relations with South Sudan is one where both countries on one hand aim at sustaining realists interest for their economic security and on the other hand upholding liberalists quest to promote local and regional peace, security and stability. He further noted that South Sudan has a high potential for minerals that are in high demand internationally mainly petroleum and gold. Further, Angok (2013) noted that Kenya was among the key investors in South Sudan alongside China, India, Uganda and Egypt. The countries engaged in various sectors in the economy including among others construction, hotelier and service sectors. In addition, he noted that South Sudan had made an application to be a member of EAC and other strategic international and regional bodies in an effort to participate in the global economy. South Sudan recently joined in 2016. The two studies however did not dwell into the economic relationship that Kenya has with South Sudan as a result of their trade ties. Therefore, this study provided an answer to the following question: What is the impact of trade ties on economic relationship between Kenya and South Sudan?

1.3 Research Objective

The research objective of this study was to determine the impact of trade ties on the economic relationship between Kenya and South Sudan.

1.4 Value of the Study

Findings for this study will benefit the policy as well as government of Kenya in establishing what needs to be done so as to enhance the trade relations between her and South Sudan. Since South Sudan gained independence in 2011, Kenya has been her major supporter in trade and this has greatly boosted the economic relations between the nations. The government needs more information as a major stakeholder in the trade so as to explore the full potential of South Sudan. Export Promotion Council (EPC) has been spearheading a campaign to enhance trade between the two nations.

The study will also benefit the various investors and SME's who want to continue trading in South Sudan to know their assets are safe within the country and that their concerns will be addressed. Potential investors will also know the kind of commodities they should trade in so as to maximise returns. Previous investors exited South Sudan and returned to Kenya may also learn on what they would have done differently to avert the same in future.

The study will also benefit the academia as it will be an additional source of knowledge and point of future reference for further research. Other scholars have carried out research on this area of the trade between the two countries but South Sudan is yet to make the economic strides as had been foreseen by various scholars thus further research will be necessary.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature on International trade and cost benefit analysis of cross border trading is discussed in this chapter. Also, this chapter outlines the theoretical framework, benefits of international trade and importance of international trade in a country's economic growth.

2.2 Theoretical Foundation

This section comprises of theories that are relevant to international trade and a country's Gross Domestic Product (GDP). All countries trade with others based on an individual country's strategies and its memberships to the various trade organizations for example African Union. The theories to be considered in this study are Comparative Advantage theory which was advanced by David Ricardo and the Factor Endowment theory which was developed by Heckscher and Ohlin also known as the H-O theory. The theories give the various angles to international trade including best practice on trade, why it is important and the advantages of practicing the same.

2.2.1 The Comparative Advantage Theory

David Ricardo developed and came up with the Comparative Advantage theory where he demonstrated that countries can benefit from trade even if one of them is much less productive than another in one product or another. Comparative advantage is further defined by the business dictionary as being an economic concept emphasizing that a country should only produce those goods and services which it can be able to produce more efficiently at a lower opportunity cost rather than other goods and services which it can import. Similarly, it holds that where a country is be better at producing two or more goods she needs to choose the one where she has a higher comparative advantage to produce.

Most countries will have a comparative advantage of producing one good and forgoing another. This is known as opportunity cost. Therefore it may have two or more products it can produce effectively but it can chose one product and forgo the other. David Ricardo stated that all else held constant, a state or a country has to concentrate in and export only those goods and services where their production has minimum proportional disadvantage. In the same respect, a country should import the goods where it has a relatively less comparative cost advantage. Ricardo D (1817) used the example of two countries England and Portugal where he pointed that Portugal could produce both cloth and wine with much less labour than England could. However, he pointed out that England was a little relatively better at producing cloth and it therefore made economic sense for England to make the cloth and export at the same time import wine from Portugal. McDonald (2017) noted that because of comparative advantage, the living standards are raised in both countries out of trade. It needs to be noted that a country producing two goods should evaluate the resources spent for example man hours in producing each item and should specialize on the one which takes less man hours and import that which is more labor intensive but may be imported from a country that has abundant supply of cheap and available labor. Each country dealing in international business has comparative advantage at producing one thing where everyone stands to benefit. Even those countries seen as not able to offer much still have something of value to offer. Citizens of each individual country are much better off when specializing in producing only the goods and services at which they possess a comparative advantage.

There were some assumptions in the theory. Akrani (2011) noted that in the theory, there are two countries and two commodities being produced and that there is perfect competition both in the commodity and factor markets. Other than natural resources, labour is the only factor of production and it is mobile within the concerned country but immobile across borders of given countries. The model also assumes full employment of labor and that there are no transportation costs. For example Oil is produced in desert countries whereas the greener countries produce more of agricultural products.

As much as there has been the introduction of irrigation farming in most of these desert areas, more often than not, it is better for the countries to import the agricultural produce from the countries that have comparative advantage and they export the oil to those countries. In this case study, South Sudan is well endowed with petroleum products while Kenya has agricultural produce for example Coffee. It therefore makes economic sense for Kenya to import petroleum from South Sudan and export her coffee to the South Sudan. Even though more recently Kenya has discovered oil in her country, it has not yet fully exploited the resource and the mining logistics are still ongoing thus it would be important for her to import the product from a country that is already mining the product in this case, South Sudan.

2.2.2 Factor Endowment Theory

The factor endowment theory was initially developed by Eli Heckscher and Bertil who was his student. Paul Samuelson did some elaborations after 1930s and Jarosvak in the 1960s. It is mainly referred to as the H-O model. The theory indicates that countries will always trade with each other because of the differences in the amount of resources between two countries. The model details how comparative advantage is affected and influenced by the actual interaction between the various resources that countries' hold that is relative abundance of the various factors of production and in essence; production technology. A country having a larger share in one resource over another has relative abundance in that resource and will always tend to produce more products that use the resource. Generally, countries are more efficient in the production of commodities for which they have more relative abundant resource supply.

There are four main factors of production namely labor, capital, land and entrepreneurship but in this particular school of thought, only two factors were considered; Labour and Capital as being used in the production of the final good. Capital in this case referring to physical machines and equipment that are used in the production of goods. In several countries the world over, the owners of the capital are mainly individuals and not the government thus earning rent from the provision of the capital. The theory assumes that two countries are involved with each individual country having two production factors. In addition, there is perfect competition in both the commodity and the factor markets. Factor endowments are also not static unlike education where the characteristics of the labour force may change. A good example of a nation which has Land as a factor endowment would be Angola especially due to the presence of its oil deposits which form a huge percentage of her exports.

It is also important to consider that some economic activities rely on capital intensive technology while others rely on labor intensive technology. A good example is manufacturing where it is capital intensive but faming say of tomatoes is really more labor intensive and few equipment is used. Another example is the mining industry which is labor intensive and the aviation industry is capital intensive. More often than not, various countries have an abundance of some factors of production while lacking or having minimal supply of others. For instance in a country where capital and land are abundant factors but labour is scarce, then the country will be better off producing goods that are not labor intensive. And the country will benefit from importing the goods that are labor intensive from a country that has abundant supply of labor as they will be relatively cheaper.

Countries tend to over rely on the factor that they have more of. In the long run, it may lead to under utilization of the other factors and over usage of the abundant factor. For example in the case of abundant labor supply, then a nation may not look into better ways of using capital for example so as to be more productive. There are various assumptions of this theory key among them there are only two countries being considered and each of this country has two factors which are labor and capital. The countries produce two types of commodities that is labour and capital intensive and there is perfect competition between the factor and commodity markets. In addition, the factors are considered to be completely mobile within a country but immobile between the various countries. Resources in both countries concerned are fully employed and the demand is exactly the same in the two countries. Finally there are no trades barriers nor transport costs.

In conclusion, the basis of trade is in difference in prices of goods and services in the two countries. It also concludes that the difference in factor endowments bring rise to the differences in the prices of the goods or services. A nation that produces capital intensive goods is the one that has abundant capital while the one that specializes in labour intensive goods and exports them is the country that has an abundance of labor supply.

2.3 Empirical Review

2.3.1 Trade between Kenya and South Sudan

South Sudan, a nation that gained independence from Sudan in 2011 is known to have a rather narrow trade basket which is mostly dependent on a single export good which is mineral fuel. This is turn subjects the country's economy to vulnerability owing to shocks from changes in production, world prices and overall global demand. There are other potential export items which have not been exploited currently and this includes fish, timber, gum arabic and gold (see the Government of the Republic of South Sudan, 2014). Since gaining independence, South Sudan has turned out to be an important market for Kenyan exports. For instance, according to the Kenya Bureau of Statistics Economic Survey of 2013, Kenya's exports to South Sudan in 2012 accounted for 10.2% of the total exports from Kenya to the Common Market for East and Southern Africa (COMESA). Based on these assertions, South Sudan ranks the fourth-largest expert destination for Kenya's exports out of the 18 other COMESA member countries. However, given that most of the Kenyan exports to South Sudan are transported by road, heighted security concerns are also bound to impact negatively on the floe of commodities to South Sudan.

According to the Export Promotion Council (2017), Kenya's trade with Sudan is significant and Kenya's market share is 0.7% in the Sudanese market. The trade balance has been in Kenya's favour over the years and the trade balance in 2009 stood at Kshs. 12.75 billion (US$ 164.85 million). The trade balance in the Kenya – Sudan trade is heavily skewed in Kenya's favour. The main export products to Sudan include tea (28%) cigarettes (12%) and cement (4.5%) cumulatively accounting for 44.5% of the total exports to the market. Other products exported to Sudan include vegetables, medicaments, vegetable fats and oils, articles of plastic, soap, electrical machinery and telecommunications equipment amongst others. There is a need for diversification of products in the market. In 2015, it was reported that South Sudan ranked sixth largest export destination for Kenyan commodities in the African region with an economic value of Kes. 17 billion after Egypt, Rwanda, Uganda, Tanzania and the Democratic Republic of Congo (Kang'ethe 2013).

In terms of imports, Kenya's imports from South Sudan mainly comprise of machinery, steel structures, pumps, machine tools, motor vehicles. Engines, telecommunication equipment and second hand clothes.

The Export Promotion Council (2017) adds that commodities with export potential to Sudan based on trade flow analysis, include tunas, footwear of rubber or plastics, chemical raw materials, crown corks of base metal (bottle tops and corks) and plants, seeds & fruits used in pharmaceuticals/cosmetics. These are products Kenya currently exports to the world market but not to Sudan.

However, as observed by Gitonga in Kang'ethe (2013), the security situation is South Sudan affects the trade between these two countries. For instance, start-up Kenyan businesses that were on a growth trend stand the danger of shutting operations due to the volatile security situation in South Sudan. If this happens, it will have an effect on many Kenya working there and consequently negatively affect the South Sudanese economy. This is in addition to the fact that the Kenyan exports to South Sudan will eventually be restricted.

2.3.2 Impact of trade ties on the economy

Trade can be defined as the transfer of the ownership of commodities from one entity to another in exchange for money or other commodities. Other probable synonyms that refer to “trade” include “financial transaction” and “commerce.” Trade exists as a result of specialization and division of labour, where most people specialize on a small aspect of production and trading for other goods and services. According to Hossain (2015), trade occurs between regions because the concerned regions may be having comparative advantage in the production of a concerned good or service, or because different regional sizes may be conducive for mass production. Therefore, as asserted by Hossain (2015), trade between different entities done at market prices can be beneficial to both concerned parties.

Bilateral or multilateral trade ties among countries mainly impact the participating countries in a positive way. Many countries that have trade ties with others stand to gain as more often than not they import that which they do not have comparative advantage in producing. In addition, countries where labor is in abundant supply benefit when countries they are in agreement with hire their labor thus reducing poverty levels in that particular country. As pointed out by McBride and Sergie (2017), there has been creation of about 14m jobs and the economy grew by several millions of dollars as a result of the North American Free Trade Agreement (NAFTA). NAFTA which was initially formed by three member states namely Canada, United States and Mexico came into force in 1994 and was believed to have been the force behind the tripling of the member states regional trade as well as cross border investment. It is worth noting that more often, trade do have a considerable effect on the economic development of member states.

Myers (2016) in analyzing the impact of trade ties between China and Australia noted that China was the biggest market for Australia's agricultural produce as well as energy products and services. On the other hand, over a period of about ten years, China had increased her foreign direct Investment to Australia. In 2015, a new trade agreement was formed known as the China-Australia free trade agreement which among others was meant to improve the Chinese tourism to Australia and at the same time have more relaxed labor laws to enhance free movement of labor between the two countries. Trade ties always have an affirmative effect on a nation's economic growth and it also encourages international relations between participating countries. On noting the trade ties between Nigeria and the United Kingdom, the UK Prime Minister John Howell noted that the Nigerian local businesses who partnered with their UK counterparts stood to benefit from the transfer of technology and skills, access to better innovative technologies and higher economies of scale. He further pointed out that since the United Kingdom had more expertise in urban planning and transport, his nation would support Nigeria in this aspect thus boosting her economic growth. Nigeria has over the years experienced economic growth owing to her trade ties with the UK where in 2015 the trade target between the two nations was £15billion (Olaiya, 2015).

The Australian Government outlined the economic benefits of the FTAs (Free Trade Agreements) to her nation as a whole. It noted among some of the key benefits to be freer trade flows and stronger trade ties with the other nations. Another positive impact is the regional economic integration by delivering enhanced trading opportunities especially to developing nations. The Australian government also noted that the trade ties increase the nation's productivity and a higher GDP (Gross Domestic Product) growth owing to competition and innovation in production, adoption of new technologies as well as access to cheaper input by firms in the production line. Zambia and Angola also signed a trading deal with each other in 2016. The Zambia minister of Commerce, Trade and Industry noted that this move will help to eliminate some products from import duty and on the overhaul; the agreement will impact positively on the two economies as well as strengthen the political ties. Further it was noted that the trade ties would greatly improve the enhancement of job and wealth creation especially in energy, tourism and agriculture construction sectors of the economy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The methodological procedures to be followed in undertaking this study are presented in this chapter. It highlights the research design, the target population of the study, data collection instruments as well as the technique used for data analysis.

3.2 Research Design

According to Kothari (2004), research design is the general approach through which one integrates and analyzes different reach components in a coherent and logical manner in order to guarantee that the researcher effectively deals with the research problem at hand. Further, it does constitute the blueprint for the data collection, data measurement and data analysis. It is the heart of the study. Further, it includes a clear outline of what the researcher intends to do from the point of writing the proposal to the point of drawing conclusions thereof. This was a case study between the Kenyan and South Sudanese governments who are the policy makers.

3.3 Data Collection

This study used both primary and secondary data. For the primary data, this was collected the interview guide which was administered to staff serving in the Kenyan Ministry of Foreign Affairs and International Trade. The main respondents were the trade officers in the ministry. Secondary data sources included government reports on trading with South Sudan and other online material from government bodies such as the Export Promotion Council (EPC).

3.4 Data Analysis

Data collected was analyzed using content analysis, which is defined as a method of studying subjects and thereafter analyzing resulting themes in an objective, methodical and quantitative manner in order to measure the study variables. It is further described as a research technique that is used to interpret and code material of a textual nature and at the end of it makes valid inference from the same.

3.5 Data Management and Ethical Considerations

The researcher had a cover letter, introducing the researcher into the field. The researcher used the letter to introduce herself to the respective target respondents and was punctual in appointment and used clear and simple language which was understood by the respondents. Basing on the objective set for this study, interview transcripts were prepared by the researcher so as to make data collection easier and to avoid anomalies. Target respondents were informed of the nature of the study and the intended use us the data before engaging them. The researcher obtained informed consent from all respondents and that they all participated voluntarily. In case someone did not want to be interviewed, he/she was left out so as not to infringe into his/her rights.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

Respondents provided the requisite data to enable this study achieve the set objectives. Consequently, the set objective laid the basis for data analysis and interpretation of the findings. This study's main objective was to determine the impact of trade ties on the economic relationship between Kenya and South Sudan.

4.2 Response Rate

To achieve the set objective, the study sampled 45 respondents. However, it managed 36 interviews whose responses were analyzed. Thus, a response rate of 80%. This was a high response rate that was enhanced by an introductory letter that briefly explained the purpose of the study and an assurance of anonymity of the responses provided.

4.3 Profiles of the Respondents

Various demographic characteristics of such as gender, age, highest level of education, employment terms, length of service in the ministry as well as carder of the responding staff in the ministry were collected and findings are presented in this section.

4.3.1 Gender

An analysis of the gender distribution of the respondents is presented in Table 4.1

Table 4.1: Respondents' gender

Respondents' Gender	Frequency	Percent
Male	21	58
Female	15	42
Total	**36**	**100**

Source: Research Data (2017)

As summarized in Table 4.1, more male than female participated in this study as males were (n=21, 58 percent) while females were 15 (42 per cent).

4.3.2 Age

Another aspect that this study sought from the respondents was information about their age and the age brackets within which they fell is presented in Table 4.2.

Table 4.2: Respondents' age distribution

Respondents' age bracket	Frequency	Percent
Below 29 years	9	23
Between 30 and 39 years	13	32
Between 40 and 49 years	10	23
50 years and above	4	10
Total	**36**	**100**

Source: Research Data (2017)

Findings in Table 4.2 show that 32% of the respondents were between 30 and 39 years of age, 23% were between 40 and 49 years old, 23% were aged 29 years or below while 10% 50 years and above. From the findings, the mean age was 38.45 with a standard deviation of 9.055 reflecting a younger workforce establishment reminiscent with labour force composition in developing countries.

4.3.3 Highest level of Education

Respondents were further requested to share information about their highest levels of education whose findings are as shown in Table 4.3.

Table 4.3: Respondents' highest education level

Respondents' highest education level	Frequency	Percent
PHD	3	8
Masters	8	22
Bachelors	19	53
Diploma	6	17
Total	**36**	**100**

Source: Research Data (2017)

As shown in Table 4.3, the highest levels of education of the respondents ranged from Diploma to PhD degree levels. Results indicated that 6 (17 percent) were diploma holders with 30 (83 percent) holding Bachelors, Masters or PHD degrees. The literacy levels reflected by the respondents give validity to the study as they demonstrated ability to clearly articulate the required information of the study subject without difficulties.

4.3.4 Employment Terms

For staff serving in the Ministry of Foreign Affairs and International Trade, employment terms are within a band of four brands. The terms range from permanent, contractual, internship or exchange programme. When respondents were requested to share information about their employment terms, they gave the following: -

Table 4.4: Respondents' employment terms

Employment terms	**Frequency**	**Percent**
Permanent	30	83
Contractual	4	12
Internship	1	3
Exchange programme	1	3
Total	**36**	**100**

Source: Research Data (2017)

Analysis of the responses summarized in Table 4.4 show that 30 (83 percent) of the respondents were permanently employed, 4 (12 percent) in contractual employment. 1 (3 percent) was on internship while another 1 (3 percent) of the respondents was on exchange programme. Given that a majority of the respondents were permanent, the study befitted from their institutional memories as they were able to provide the required information on trade ties between Kenya and South Sudan and the frameworks in place to boost the same as a result of their continued service in their deployment areas.

4.3.5 Length of Service

Other than age, gender, employment terms and highest level of education, this study also sought to get information from the respondents about their length of service in the Ministry of Foreign Affairs and International Trade. Findings to this are as shown in Table 4.5.

Table 4.5: Respondents'' length of service in the Ministry

Length of Service	Frequency	Percent
Between 1 to 5 years	5	14
Between 6 to 10 years	7	20
Between 11 to 15 years	10	29
Over 15 years	13	37
Total	**36**	**100**

Source: Research Data (2017)

From Table 4.5, 37 percent of the responding staff have worked in the Ministry for more than 15 years while 63 percent have worked in the sector for 15 years and less. Just as in the case for employment terms, length of service has a link to one's intuitional memory. Given that 86 percent of the respondents reported to have been employed with the Ministry for a period more than six years, this illustrates that the information given in relation to trade ties between Kenya and South Sudan is based on a strong institutional memory thus validates the study findings.

4.3.6 Management Carder

Respondents'' management cadre in the workstations in the Ministry comprised top management, middle, lower and non-management staffs as indicated in the following table: -

Table 4.6: Respondents' cadre

Cadre	Frequency	Percent
Top management staff	4	10
Middle management	4	40
Lower management	11	30
Non-management	7	20
Total	**36**	**100**

Source: Research Data (2017)

As summarized in table 4.6, 20 percent of the responding staff were in non-management, 30 percent in lower management, 40 percent in middle management and 10 percent in top management. Sustaining trade ties between countries is an arrangement that requires the input of all management levels from the operational to top level with each having distinct but crucial roles. The composition of the respondents depicting the various management levels as well as non management is a clear indication that in the Ministry of Foreign Affairs and International Trade, all staff have an understanding of international trade and therefore their input is crucial in sustaining the trade. This further validates the study findings.

4.4 Results and Discussion

4.4.1 Economic relationship between Kenya and South Sudan

In order to establish the impact of trade ties on the economic relationship between Kenya and the South Sudan, first, the researcher endeavoured to find out the level of economic relationship between the two countries and the reasons for such relationship. Secondary data indicated that Kenya's economic relationship with South Sudan is based on four areas, that is, trade, security, roadways, and energy. When respondents were asked to rate this level of economic relationship between the two countries, they gave the following: -

Table 4.7: Economic relationship between Kenya and south Sudan

Base of relations	Frequency	Percent
Security	10	28
Trade	9	25
Trade and security	8	22
Trade and roadways	3	8
Roadways	2	6
Energy	2	6
Trade and energy	2	6
Total	**36**	**100**

Source: Research Data (2017)

From the findings, trade ties are the main form of Kenya's economic relationship with South Sudan as it was mentioned by 22 (61 percent) of the respondents followed by security with 18 (50 percent). From the interviews, it was clear that the governments of Kenya and South Sudan were all working towards creating and sustaining a relationship that would guarantee to develop their countries economically.

Respondents asserted that as a result of this focus, there have been a number of joint ventures to strengthen existing trade ties and create more opportunities for the same. Responses revealed that the two states have indeed explored opportunities meant at boosting and sustaining both political and economic relations. For instance, the Nairobi 2005 Comprehensive Peace Agreement (CPA) between Sudan's government and the Sudan People's Liberation Movement is one of the significant opportunities that boosted the relation between Kenya and South Sudan as the peace agreement created peace in the conflict-prone South Sudan leading to a significant demand expansion in South Sudan specifically oil exploration.

This study further sought to establish the reasons for the economic relationship between Kenya and South Sudan. Analysis of findings indicated that bilateral trade relations between these two countries are premised on social, political and economic factors. It was established that these two countries have a mutual agreement and have a common focus of their engagements. It was established that after South Sudan gained independence from Sudan, Kenya and South Sudan entered into a technical agreement towards capacity building in order to develop institutions and personnel to competently run state affairs. In this agreement, the Kenyan government agreed support South Sudan maintain peace, undertake post conflict reconstruction programs, neutralize insecurity threats and train South Sudanese officials in various capacities spearheaded by Kenya's Foreign Service Institute. Respondents indicated that the goal of this agreement is to build South Sudanese capacity so as to enable it achieve set targets in terms of economic growth and development. Through this agreement, there have been numerous South Sudanese delegation seconded for training opportunities in Kenya on various aspects such as law enforcement, tourism and wildlife management, trade and internal relations among others.

Findings indicated that Kenya's role in supporting South Sudan establish a new government system is the main reason for the existing economic relationship between Kenya and South Sudan. Furthermore, analysis of findings showed that there is a cultural link between Kenya and south Sudan. In terms of culture, it was established that quite a number of communities South Sudan South Sudanese have a common ancestral link with some Kenyan communities. It was found out that other than having a common historical link, these nilotic communities share a common language and culture with their Kenyan counterparts. Analysis of findings showed that this link was depicted in the support that refugee South Sudanese received support and care while in Kenya. It is this link that made it easy for the two governments to sustain the developed bilateral relations which have gone further to influence economic relations internationally with other nations.

Politically, findings indicated that these two countries enjoy the current economic relationship because South Sudan expects to develop a stable, peaceful and futuristic state with the support from Kenya. Findings indicated that that currently quite a number of Kenyans are resident in South Sudan as employees in various sectors, proprietors of Kenyan firms, contractors, businesspersons for both goods and services or as consultants offering diverse technical skills. The recent partnership deals to develop an extensive oil infrastructure crossing into Kenya from the South Sudan is one of the key indicators of the closer trade ties that these two states are keen to maintain as they both stand to benefit from the arrangements.

Furthermore, from the findings, it was established that the economic relationship between these two countries is not only premised on new investments but geared towards necessitating global reach by South Sudan. It was established that South Sudan view Kenya as a bridge between member countries in the East African Community and the rest of the world thus has reviewed its current interim constitution with the support from Kenya to make the region more investor-friendly. As such, the need to reach to the rest of the world with Kenya's support is the key in sustaining the current economic relations between Kenya and South Sudan.

4.4.2 Trade ties between Kenya and South Sudan

This study aimed at establishing the trade ties between Kenya and South Sudan. Findings indicated that the balance of trade between Kenya and South Sudan is the third best in Kenya's favour after that of Tanzania and Uganda, making the country a key market.

This confirms assertions that South Sudan does have a thin trade basket which is heavily dependent on mineral oil as the single commodity for export. This in turn makes her economy particularly vulnerable to a variety of shocks from alterations in production as well as global demand and prices. Other potential export items which are not currently being exploited include timber, fish and gum arabic. From the literature review, it was asserted that South Sudan has turned out to be a significant market destination for Kenya's exports. For example, according to the Kenya Bureau of Statistics Economic Survey of 2013, Kenya's exports to South Sudan in 2012 accounted for 10.2% of the total exports from Kenya to the Common Market for East and Southern Africa (COMESA).

Various reasons abound as to why Kenya enjoys the trade ties with South Sudan. First, South Sudan being a land locked country with no access to the sea; the Mombasa as well as the Lamu Port that is currently undergoing construction are strategic in making South Sudan dependent on Kenya economically. It was further asserted that Kenya is indeed the key economic hub of the East African region thus giving her an advantage over the other East African countries. It was established that Kenyans enjoy high levels of good will in South Sudan due to the role played in seeing the Nairobi 2005 Compressive Peace Agreement a reality seeing the birth of South Sudan as an independent state as well as eventual achievement of peace in the South Sudan. In addition, existence of excess human resource capacity in Kenya's health and education sectors; the LAPSSET project as well as Kenya's political stability makes her economic relations with South Sudan worth being sustained. To determine the trade ties between Kenya and South Sudan, respondents were asked to indicate Kenya's major exports to South Sudan and findings are as follows: -

Table 4.8: Kenya's exports to South Sudan

Kenya's export by Sector	Frequency	Percent
Agriculture	8	23
Real Estate	7	19
Transport and storage	5	15
Construction	5	13
Financial services	4	11
Manufacturing	4	10
Information and Communication	3	9
Total	**36**	**100**

Source: Research Data (2017)

Table 4.8 shows that the products majorly exported from Kenya to South Sudan are in seven sectors. These are agriculture (23 percent), real estate (19 percent), transport and storage (15 percent), construction (13 percent), financial services (11 percent), manufacturing (10 percent) and information and communication (9 percent). It was established that in the agricultural sector, most exports from Kenya to South Sudan are maize and maize flour, tea, beans, wheat and wheat flour, rice and sorghum and sorghum flour. In the manufacturing sector, it was established that most products exported include pharmaceutical products, food, edible oils, electronic and electrical appliances, garments of various kinds, perfumes, cosmetics, pornographic literature, habit-forming drugs and armaments. It was pointed out that Kenyan traders have built warehouses in South Sudan where the Kenyan manufacturers can indeed repackage and break down their bulk goods into smaller sizes for eventual sale in the local market.

In the financial services sector, it was established that may financial institutions have opened up branches in South Sudan. For instance, it was pointed out that the Kenya Commercial Bank South Sudan is the largest financial services provider with 21 branches. Other Kenyan owned commercial banks operating outlets in South Sudan are

Cooperative Bank of Kenya and the Equity Bank. From the findings, not only are the Kenyan commercial banks operating outlets in south Sudan. Analysis of findings indicated that a majority of the formal businesses in South Sudan are the small and medium-sized enterprises (SMEs) owned and operated by Kenyan citizens operating enterprises in the construction, hotel and restaurant as well as other business related enterprises. As espoused by the African Development Bank (2011) we have other over 8,000 small firms with Kenyan roots operating similar ventures to those by the small and medium-sized enterprises in South Sudan with another 10,000 involved in sole entrepreneurship's petty trade. Apart from the SMEs, analysis of findings indicated that nearly all the large firms in South Sudan are foreign-owned dealing with telecommunications, banking, beverage manufacturing, aviation, insurance, construction, Information and Communication Technology (ICT) and transportation as well as hospitality, wholesale and retail as quite a number of South Sudanese nationals do not have the financial muscles and skills at the moment to start and operate large enterprises.

Other than exports, this study also sought to establish Kenya's major imports from South Sudan and findings revealed that Kenya mainly imports oil and timber from South Sudan. This explains the balance of trade between Kenya and South Sudan that is in Kenya's favour. To support trade ties between Kenya and South Sudan, the Bank of South Sudan with assistance of the Central Bank of Kenya established an official exchange rate between Kenya and South Sudan. It was also revealed that the Kenyan government has allowed various parastatals to initiate projects on behalf of the Kenyan government to open up the South Sudanese economy. For instance, the Kenya National Highways Authority (Kenha) entered into contracts for the construction of the road linking Kenya to

South Sudan. The planned Kes. 31.2 billion upgrade of the Loichangamatak to Lodwar, Nadapal, and Nakodok roads has raised prospects of enhanced cross-border trade between Kenya and South Sudan.

4.4.3 Trade ties and the economic relationship between Kenya and South Sudan

From the literature review, bilateral or multilateral trade ties among countries mainly impact the participating countries in a positive way. Many countries that have trade ties with others stand to gain as more often than not they import that which they do not have comparative advantage in producing (McBride and Sergie, 2017). As this study's objective, the researcher set to find out the effect that trade ties had on the relationship between Kenya and South Sudan. An analysis of findings revealed that the trade ties between Kenya and South Sudan have a significant and positive impact on the relationship between these two countries. The mutual benefits arising out of the trade ties have laid the basis for sustained positive relationship between Kenya and South Sudan.

Findings revealed that the growth of trade caused Kenya and South Sudan to develop an exchange rate between these two countries so as to eliminate the difficulties of exchange rates connected with export and import items. This has led to sustained efforts for economic stability in these two economies hence mutual economic relationship. Moreover, the trade relation between Kenya and South Sudan has ultimately lead them to harmonize their trade policies and work together to sell high quality products to their neighbors and the world, and increase their competitiveness in the international arena. For instance, the ongoing Lamu Port and the Lamu-Southern Sudan-Ethiopia Transport Corridor (LAPSSET) projects will lead to developments of an oil pipeline linking cities in Kenya, South Sudan and Ethiopia, development of roads as well as railways.

Furthermore, it was reported that the desire to nurture trade between Lamu and Juba is meant to lead to enhanced and sustained larger regional economic relations.

As noted by the respondents, Kenya's relationship with South Sudan is hinged on cross-border trade involving various economic sectors, development of infrastructural links between these two countries as well as enhancement of manufacturing competence in South Sudan because the difference in economic development levels between these two countries that sees the Kenyan government recognize the potential in South Sudan as a key trading partner. This has prompted the Kenya government to get involved in a number of infrastructural development investments within South Sudan thus strengthening the economic relationship between these two countries.

Moreover, strengthening the trade ties between Kenya and South Sudan saw South Sudan join the East African Community (EAC) as the EAC presents the requisite means through which democracy; good governance; political stability and goodwill, mutual trust; good neighborliness; and peace full co-existence cab be promoted, thus enhancing both economic and political relations between member states. Respondents posit that the opportunities inherent in the LAPPSET project have seen formation of an inter-ministerial secretariat to implement this project as the entry of Southern Sudan into the regional economies is estimated to raise the unrestricted demand of cargo in upwards of 32 million tonnes per annum by connecting the East African coast (from Lamu Port) to the West African coast (at Douala Port) by highway.

In a bid to strengthen trade ties and enhance economic relations between member states, analysis of findings indicated that governments are trying to support the two conflicting parties in South Sudan to come to a negotiating table. Second, they have persuaded Uganda to withdraw her troops in South Sudan slowly. Third, they are willing to contribute soldiers for the suggested 5,500 United Nations Mission in South Sudan (UNMISS) troops. Fourth, Ethiopia and Kenya are working to facilitate liberation of political detainees in order to reduce the enormity of the conflict in South Sudan.

From the literature review, countries where labor is in abundant supply benefit when countries they are in agreement with hire their labor thus reducing poverty levels in that particular country. As pointed out by McBride and Sergie (2017), there has been creation of about 14m jobs and the economy grew by several millions of dollars as a result of the North American Free Trade Agreement (NAFTA). Analysis of findings on the trade ties confirms these assertions. The focus of the trade ties between Kenya and South Sudan has led to economic growth and development in these two countries as enhance trade volumes has seen creation of employment opportunities across sectors in the economy as well as business opportunities to citizens from these two countries. It was reported that Kenyans have taken an active and leading role in developing South Sudan's private sector. It was established that the excess human resource capacity in Kenya has leveraged on the deficiencies in South Sudan to export their technical skills and expertise in development of the South Sudan's private sector. It was established that Kenya's are dependable in construction and development of South Sudan's air transport, development of roads and railways, provision of insurance services, establishment of markets for informal goods and services, development of the banking sector as well as development of the Non-Governmental Organizations' sector for economic development of South Sudan.

In the banking sector, it was reported that Kenyan banks have taken a lead role in South Sudan. For instance, since the Kenya Commercial bank opened its first outlet in South Sudan in 2006, it currently boosts of twenty one (21) branches across South Sudan. Others are the Barclays Bank of Kenya and the Equity Bank. It was established that these Kenyan banking institutions have had a greater impact in the economic development of South Sudan as they are used by other foreign investors as intermediaries for investments in South Sudan. Furthermore, to capacity build the human resource element if South Sudan, the government of Kenya has entered into an agreement with her counterpart in South Sudan so as to second top-level public servants to the new state reducing non-employment rates in Kenya while at the same time building the South Sudanese economy.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, a summary of this study's findings, conclusions and arising recommendations are presented guided by the set objectives. Also presented in this chapter are the suggestions for further research.

5.2 Summary of findings

In this section, a summary of the key findings of the study are presented. As aforementioned in chapter one of the study, this study set to determine the impact of trade ties on the economic relationship between Kenya and the South Sudan. This research used case study design whose target population consisted of officers in the Ministry of Foreign Affairs and International Trade. A total of 45 respondents were sampled for this study. Out of the 45 respondents sampled for this study, this study managed 36 interviews, thus, a response rate of 80%.

In order to achieve the set objective, this study used both primary and secondary data. For the primary data, this was collected the interview guide which was administered to staff serving in the Kenyan Ministry of Foreign Affairs and International Trade. The main respondents were the trade officers in the ministry. Secondary data sources included government reports on trading with South Sudan and other online material from government bodies such as the Export Promotion Council (EPC).

The study's objective was to establish the impact of trade ties on the relationship between Kenya and South Sudan. Findings reveal that the products majorly exported from Kenya to South Sudan are in seven sectors. These are agriculture (23 percent), real estate (19 percent), transport and storage (15 percent), construction (13 percent), financial services (11 percent), manufacturing (10 percent) and information and communication (9 percent). It was established that in the agricultural sector, most exports from Kenya to South Sudan are maize and maize flour, tea, beans, wheat and wheat flour, rice and sorghum and sorghum flour. In the manufacturing sector, it was established that most products exported include pharmaceutical products, food, edible oils, electronic and electrical appliances, garments of various kinds, perfumes, cosmetics, pornographic literature, habit-forming drugs and armaments. It was pointed out that Kenyan traders have built warehouses in South Sudan where the Kenyan manufacturers can indeed repackage and break down their bulk goods into smaller sizes for eventual sale in the local market.

Findings indicated that bilateral trade relations between these two countries are premised on social, political and economic factors. It was established that these two countries have a mutual agreement and have a common focus of their engagements. An analysis of findings revealed that the trade ties between Kenya and South Sudan have a significant and positive impact on the relationship between these two countries. The mutual benefits arising out of the trade ties have laid the basis for sustained positive relationship between Kenya and South Sudan. Findings revealed that the growth of trade caused Kenya and South Sudan to develop an exchange rate between these two countries so as to eliminate the difficulties of exchange rates connected with export and import items. As noted by the respondents, Kenya's relationship with South Sudan is hinged on cross-border trade involving various economic sectors, development of infrastructural links between these two countries as well as enhancement of manufacturing competence in South Sudan because the difference in economic development levels between these two countries that sees the Kenyan government recognize the potential in South Sudan as a key trading partner. This has prompted the Kenya government to get involved in a number of infrastructural development investments within South Sudan thus strengthening the economic relationship between these two countries.

The focus of the trade ties between Kenya and South Sudan has led to economic growth and development in these two countries as enhance trade volumes has seen creation of employment opportunities across sectors in the economy as well as business opportunities to citizens from these two countries. It was reported that Kenyans have taken an active and leading role in developing South Sudan's private sector. It was established that the excess human resource capacity in Kenya has leveraged on the deficiencies in South Sudan to export their technical skills and expertise in development of the South Sudan's private sector. It was established that Kenya's are dependable in construction and development of South Sudan's air transport, development of roads and railways, provision of insurance services, establishment of markets for informal goods and services, development of the banking sector as well as development of the Non-Governmental Organizations' sector for economic development of South Sudan.

In the banking sector, it was reported that Kenyan banks have taken a lead role in South Sudan. For instance, since the Kenya Commercial bank opened its first outlet in South Sudan in 2006, it currently boosts of twenty one (21) branches across South Sudan. Others are the Barclays Bank of Kenya and the Equity Bank. It was established that these Kenyan banking institutions have had a greater impact in the economic development of South Sudan as they are used by other foreign investors as intermediaries for investments in South Sudan. Furthermore, to capacity build the human resource element if South

Sudan, the government of Kenya has entered into an agreement with her counterpart in South Sudan so as to second top-level public servants to the new state reducing non-employment rates in Kenya while at the same time building the South Sudanese economy.

5.3 Conclusions

It is clear that bilateral relations between Kenya and South Sudan are premised on social, political and economic factors. Also, findings revealed that balance of trade between Kenya and South Sudan is in Kenya’s favour. Furthermore, it was clear that Kenya is the leading economy in the East African region. As such it gains an advantage over other member states in the east African Community in terms of attracting for engagement in international trade. Furthermore, the role played by Kenyan in seeing the Nairobi 2005 Compressive Peace Agreement a reality leading to the birth of South Sudan as an independent state as well as eventual achievement of peace in the South is a key ingredient for trade ties and sustained economic relations between these two states and that Kenya has an advantage in terms of strategic location and excess human resource endowments in Kenya’s health and education sectors laying the basis for sustained trade ties and economic relation between these two countries. This study concludes that economic relations between Kenya and South Sudan cannot be sustained without trade ties. Beneficial trade ties between these two nations will inform positive economic relationships.

5.4 Recommendations

This study set to determine the impact of trade ties on the economic relationship between Kenya and South Sudan. From the findings, the study established that trade ties between

Kenya and South Sudan have a significant and positive impact on the relationship between these two countries. Therefore the study recommends that Kenya initiates bilateral trade agreement with South Sudan. Most of the economic and security threats faced in South Sudan can be addressed through the establishment of a bilateral trade agreement between Kenya and South Sudan since Kenya has been the custodian of CPA Agreement and has promoted peace and security in South Sudan. Given that EPC is the Kenya's export promotion body, it could be charged with facilitating bilateral negotiations between Kenya and South Sudan involving protection of trade and investments and businesses made by partners in both home markets. The Export Promotion Council (EPC) and the relevant Government Ministry /Agency mandated with the promotion of trade and investment in Southern Sudan need develop a framework of entering into a formal agreement on trade and investment son as to facilitate enhanced trade and investment between the two countries. A Memorandum of Understanding on the same developed through a consultative and participatory approach between these two countries would be instrumental in guiding the trade relations.

Another recommendation is that both governments need to enhance delivery of the LAPSSET project as enshrined in Kenya's Vision 2030 as this will boost transport linkages between Kenya and South Sudan, encourage social and economic development along the LAPSSET corridor and enhance cross-border trade. Furthermore, the government of South Sudan need to adopt the East African Community's Common Visa to facilitate faster movement of potential investors in her territory. Further, Foreign Missions in these two countries in collaboration with the Export Promotion Council need to organise product specific market expansion strategies such as trade fairs, trade missions and solo exhibitions in collaboration with trade support institutions (TSIs) in order to enhance penetration of the identified products in the Southern Sudan market. The trade promotion activities should also incorporate players in the services sector including but not limited to construction, banking, insurance and consultancy services.

The Export Promotion Council (EPC) and the relevant Government Ministry /Agency mandated with the promotion of trade and investment to organise for in-country market studies for the identified products in line with the goal of consolidation, expansion and diversification trade between these two countries. In addition, studies of market access requirements for potential products, including tariffs and Non-Tariff Barriers, consumer preference, packing & labelling requirements and suitable distribution channels in collaboration with relevant TSIs need to be carried out. Then, there needs to be an official importers' database (for identified products available in Kenya) for dissemination to Kenyan exporters, in collaboration with EPC and Kenyan Trade Support Institutions to enhance the trading between these two countries. Lastly, a comprehensive industry competitive analysis should be undertaken on the products with market presence in Southern Sudan to determine areas where Kenya has comparative supply capability in Southern Sudan.

5.5 Suggestions for further research

It is noted that the focus for this study was on the trade ties between Kenya and South Sudan. Given that there are trade ties between member states in the entire East Africa region which might be having a bearing on the existing economic relations between member states, a similar study is recommended especially on how trade ties have impacted economic relationship in the entire East African region for comparison of results. With an expanded study population, there would be more comparison of findings and an addition to the current pool of literature on the impact of trade ties on the economic relations between countries

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INTERVIEW GUIDE

1. Which product is the most exported to South Sudan from Kenya?
2. What are you doing towards the promotion of the rest of the products for export?
3. Which is the major product that Kenya imports from South Sudan?
4. How would you rate the economic relations between the two countries and why?
5. What measures have you put in place to ascertain continuity of trade between the two nations?
6. South Sudan recently joined EAC, what other partnerships have they engaged in with an aim to boost cross border trade?
7. Are you organizing any workshops or trade fairs in South Sudan in the near future?
8. When can Kenya expect to start reaping benefits from the heavy infrastructural investment put in place on the road and rail network between Kenya and South Sudan?
9. We have in the recent past witnessed investors pulling out of South Sudan. How are you planning to address this going forward from a government perspective?
10. How far is Kenya willing to Assist South Sudan in trade aid considering she's also borrowing foreign aid as well?
11. In what other ways does Kenya benefit from trade between her and South Sudan?
12. What else are you working towards to ensure continuity of trade between the two nations?